

MINUTES

Date: 21 July 2021
Time: 9:00 to 12:30
Location: Via Teams

- Present:**
- . Craig Bennett – The Wildlife Trusts, Chair (M)
 - . Gill Holmes – CCWater (M)
 - . Joanne Lancaster – MD, Huntingdonshire District Council (M)
 - . Paul Metcalfe – MD, PJM Economics (M)
 - . Peter Olsen – Hartlepool Independent Advisory Panel (M)
 - . Sarah Powell – Environment Agency (M)
 - . Nathan Richardson – Waterwise/Blueprint for Water (M)
 - . Graham Hindley – Jacobs (O)
 - . Pete Holland - Anglian Water
 - . Alex Plant – Anglian Water
 - . Darren Rice – Anglian Water
 - . Peter Simpson – Anglian Water
 - . Andrew Snelson – Anglian Water
 - . Rachel Walters – Anglian Water
 - . Vicky Anning – Secretariat (O)

- Apologies:**
- . Hannah Bradley – CCWater (M)
 - . John Torlesse – Natural England (M)
 - . Beth Corbould – Economist, Civil Aviation Authority (M)
 - . Martin Lord – Chair, Vulnerability & Affordability Panel (M)
 - . Duncan Mills – Senior Engagement Officer, Lincolnshire County Council
 - . Richard Tunnicliffe – CBI (M)

Item	Action
<p>1. <u>Brief introductions</u></p> <p>Craig Bennett reported that he had been appointed as Chair of the Anglian Water CEF after a rigorous and independent recruitment process. He had started the process of refreshing the CEF and was awaiting further discussions and input from CCWater, Ofwat and CCG Chairs on the role of Customer Challenge Groups going forward under the new AMP.</p>	

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<p>Craig would be attending a meeting of CCG Chairs on 14 January 2022 – there would be a Task and Finish Group looking at Terms of Reference for CCGs.</p> <p>CCG Chairs also wanted to meet with Secretary of State George Eustice to discuss the purpose of CCGs and to make clear how important these challenge groups were, particularly at a time when customer confidence in the water industry was at a low ebb due to high-profile issues (including the £90m fine for Southern Water for sewage discharge).</p> <p>2 <u>Anglian Water updates: Strategy and Policy Overview</u></p> <p>Director of Strategy and Regulation Alex Plant said that Anglian Water’s Articles of Association had been updated – a legally binding document that governs how the business is run and enshrines public interest within the constitutional make up of the business. Alex had also been working with the British Standards Organisation as AW continues on its public interest journey.</p> <p>AW had reviewed its 25-year Strategic Direction Statement (which the CEF response helped to shape) with the Board – long-term ambitions to improve the ecological status of waterways remained important.</p> <p>There was discussion of the rejected Duke of Wellington Amendment to the Environment Bill, which sought a ‘<i>progressive reductions in the harm caused by discharges of untreated sewage.</i>’ A strategic policy statement was expected from Defra in January 2022.</p> <p>Alex gave an update on other broader business issues:</p> <ul style="list-style-type: none"> • AW was proposing two new reservoir systems and expected to begin work in the 2025 to 2030 period (AW had got through the RAPID gating process for both). • AW was rolling out smart meters across the country and was in the midst of rolling out 400 miles of piping. <p>3. <u>AW Update</u></p> <p>Chief Executive Officer Peter Simpson reported on AW’s performance, saying the last price review had been tough, culminating in the CMA involvement. The pandemic had also had an impact with record high sickness levels.</p>	

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<p>First year's performance had been strong but the second year had proved to be tougher. Money for Capex and Opex remained tight.</p> <p>High levels of rain fall had led to high level of ground water flooding over a long period, which had a significant impact on flooding and pollution metrics.</p> <p>The Norfolk Strategic Flooding Alliance, led by Lord Dannatt, had been looking at better planning and anticipation of operational responses to flooding. This had left organisations in a much clearer position in terms of roles and responsibilities.</p> <p>In response to the previous price review, AW had changed the company's gearing and degeared by putting more debt above the water company. This removes some of the risks in terms of Ofwat penalties.</p> <p>There was broad customer concern related to overflows and river water quality that had been widely reported in the media and social media and he acknowledged that water companies needed to respond. There was evidence that customers were now also more concerned than ever about the environment.</p> <p>AW had formed a new Quality and Environment directorate that will focus exclusively on water quality and meeting the needs of the environment by driving forward the water company's largest ever environmental investment programme. This would be led by Dr Robin Price (formerly MD of Water Resources East), with a focus on improving water catchment quality.</p> <p>As a company, AW has put a lot of effort into maintaining a positive presence at COP26, launching a water pavilion and discussing AW's roadmap to net zero with key stakeholders.</p> <p>At COP26, AW also launched the Future Fens: Integrated Adaptation Taskforce to bring together different sectors, organisations and people into one integrated, holistic approach towards climate resilience.</p> <p>Jo Lancaster, Huntingdonshire District Council, agreed that better systems were needed, looking at hyperlocal systems where local communities could take more responsibility. In Hunts, for example, they were organising local level flood plans at the village level.</p>	

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<p data-bbox="203 233 747 268">4. <u>Update on PR24 and beyond</u></p> <p data-bbox="277 302 1263 369">Head of Policy and Regulatory Strategy Darren Rice reported that:</p> <ul data-bbox="326 411 1263 693" style="list-style-type: none"> <li data-bbox="326 411 1263 583">• Ofwat had now published a suite of consultation papers setting out its direction of travel in a number of areas for PR24; most notably its paper on expectations for Long term delivery strategies and common reference scenarios, which had been shared with CEF members. <li data-bbox="326 590 1263 693">• Ofwat had made first steps at bringing together expectations for how companies would develop their PR24 business plans in the longer-term context. <p data-bbox="277 730 1221 835">Darren saw this as a positive direction of travel, with a focus on the longer term context (e.g. through WINEP) and whole life portfolio of solutions, which aligns with AW’s SDS.</p> <p data-bbox="277 873 1187 940">There had also been a range of activity and engagement with Ofwat over summer and autumn on:</p> <ul data-bbox="326 982 1256 1121" style="list-style-type: none"> <li data-bbox="326 982 1256 1050">• Customer engagement approaches (in terms of crystallising central research) <li data-bbox="326 1056 1114 1087">• Future plans around affordability/cost assessment <li data-bbox="326 1094 1097 1121">• Approach to common performance commitments <p data-bbox="277 1159 1230 1297">Formal activity on PR24 in the form of a range of papers had started on topics including common performance commitments, financial resilience, risk and return and bioresources. Of interest would be the specific approach to net zero.</p> <p data-bbox="277 1339 1268 1478">The responses to these topics would feed into the on-going development of Ofwat’s PR24 draft methodology, which was due in July 2022. This would also be influenced by the wider Strategy and Policy developments.</p> <p data-bbox="277 1520 1159 1587">Craig asked why there was a refocus now on a longer term approach?</p> <p data-bbox="277 1625 1247 1869">AW colleagues explained that the CMA rulings had laid out a political imperative around environmental standards. The water industry had an ambition to think differently around the demand for and supply of water, which had led to a new methodologies alliance. There had been a recognition that companies need to be on the same page on this and that conversations can’t be restrained by five-year price reviews.</p>	

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<p data-bbox="203 233 873 268">5. <u>PR24 Customer engagement update</u></p> <p data-bbox="277 302 1219 407">PR24 Customer Engagement Lead Rachel Walters gave an overview of AW customer engagement activity, building on the gold star rating from PR19.</p> <p data-bbox="277 443 1260 617">Currently in phase 1, gathering customer priorities – using the online community. This had around 500 new customers since PR19. In terms of investment priorities, AW was developing high level principles while noting customer priorities – the desire was for customers to inform thinking and planning right from the start.</p> <p data-bbox="277 653 1240 905">Working with an external provider, they would look at customer preferences to 2050, with work being commissioned in January. This would be an iterative process, with the study being re-run approx. 4 times between Jan 2022 and 2023. Through this, AW would identify which areas customers think should be invested in and the level/pace of investment as well as gaining an understanding of the scale of challenges facing customers.</p> <p data-bbox="277 940 1219 1079">AW were keen to establish a peer group across companies to share thinking and best practice across the sector. They were working with CCW on triangulation and looking at good practice across the sector, drawing on a wide range of different inputs.</p> <p data-bbox="277 1115 1235 1253">In terms of Ofwat and CCW collaborative research, Ofwat was holding monthly workshops looking at customer priorities, incentives, affordability and acceptability, and company research and engagement.</p> <p data-bbox="277 1289 1192 1394">Paul Metcalfe, PJM Economics, asked for an update on the synthesis report that was used in PR19, as well as updates on WRMP and DWMP research?</p> <p data-bbox="277 1430 1214 1610">Rachel said there was an ambition to turn the synthesis document into a regularly updated and interactive document. In terms of WRMP and DWMP research, there have been lots of points of involvement using the online community and focus groups.</p> <p data-bbox="277 1646 1076 1682">Action: Rachel would share these with CEF members.</p> <p data-bbox="277 1717 1255 1787">Gill Holmes, CCWater, asked how AW would be taking BAU data forward to get a more rounded picture of customer views?</p> <p data-bbox="277 1822 1265 1892">Rachel replied that it was early days but they were looking to build on what already existed and identify any gaps.</p>	<p data-bbox="1292 1646 1352 1682">RW</p>

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<p>Peter Olsen, Hartlepool, asked whether Hartlepool customers featured in the online community?</p> <p>Rachel responded there was a specific focus on Hartlepool customers. AW were also looking at face to face interview with customers in Hartlepool, who would be included and represented in research.</p>	
<p>6. <u>Performance and ODI update</u></p> <p>Andrew Snelson gave a performance update. He shared a key table from Ofwat’s performance report, showing AW as one of three companies in the sector leading category.</p> <p>AW were top performers in terms of leakage and sewer flooding and also at or above target on: customer satisfaction, priority services, supply interruptions, water quality, mains repairs, unplanned outages, treatment work compliance and wastewater.</p> <p>Most companies have not fallen within price control targets to hit performance commitments and are already finding things quite tough under the PR19 settlement. This helps to set the context for PR24.</p> <p>Andrew also shared the performance commitment dashboard, which showed AW performance to the end of November 2021, which were a “mixed bag”.</p> <ul style="list-style-type: none"> - Leakage was behind the curve but he was confident this would hit the target by the end of the year. - Low pressure was ahead of target, while unplanned outages, treatment works compliance, mains repairs and sewer collapses were at target. - Unlikely to meet PCs were: water supply interruptions, water quality compliance, internal and external sewer flooding. <p>Andrew explained that wet weather at the start of the calendar year had had a significant impact. 40% of pollution incidents fell within the first part of the year.</p> <p>Covid had also had an impact on household consumption, as more people worked from home. Staff absences due to illness had also led to lack of resources (e.g. tanker drivers).</p> <p>Sarah Powell, Environment Agency, said the EA were carrying out a national investigation for all companies regarding the flow of sewage into storm tanks. EA believed there was evidence that water companies were not treating sewage before it went into</p>	

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<p>storm tanks. Ofwat was also looking at this in terms of companies meeting their requirements.</p> <p>Graham Hindley, Jacobs, reported that Jacobs had been reappointed as independent assurance providers for AW after a competitive tendering process. Graham was working with Andrew's team to give independent assurance and looking at the risk assessment process.</p> <p>Gill Holmes, CCW, asked about pollution incidents since Jan/Feb and whether they were going in the right direction?</p> <p>Andrew responded that pollution incidents were quite volatile and it was hard to see a trend. However, AW had an incident reduction plan in place with multiple initiatives.</p> <p>Sarah Powell, EA, said that Jan/Feb saw higher pollution incidents but June/July were also high. EA had concerns about serious incidents and felt that improvements could be made. Feb, March and April were the worst months in terms of permit compliance and this was not all related to bad weather.</p> <p>Peter Simpson acknowledged there was more to be done on pollution incidents and AW was working hard to achieve the target. He said it has taken a long time to get ahead of the tankering sludge/lag effect to get to compliance through the year. AW was making a lot of effort towards a more joined up approach.</p>	
<p>7. Derivation of central ODI rates</p> <p>Paul Metcalfe of PJM Economics reported that Accent and PJM economics had been commissioned by Ofwat and CCW to develop a methodology for obtaining customer evidence to support ODI rate setting for common PCs at PR24 (Stage 1), and to develop and test the materials based on this methodology (Stage 2).</p> <p>Working collaboratively with water companies, the focus of the work was looking at base levels and the driver was to improve comparability and methodology.</p> <p>Work started in October 2021 with an inception report. On 13 December, options for the methodology were presented at an industry workshop.</p>	

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<p>Different survey modes and recruitment methods and their pros and cons were discussed: Option 1 involves online panels and Option 2 involves email lists. Likely that Option 1 will continue with pilot of Option 2. Ofwat and CCWater were to decide final approach to fieldwork that is representative and doesn't pose GDPR issues.</p> <p>Next steps:</p> <ul style="list-style-type: none"> - Final stage 1 report would be delivered in January - Pilot of 1,000 interviews across UK Feb to March - Final materials ready for national research by April 2022 - Values from this to ODIs would be delivered to industry in December 2022 <p>7. <u>Discussion about future role of CEF and TORs</u></p> <p>Craig reported that CCG Chairs had been meeting to discuss the role of CCGs in PR24. Although Ofwat had signalled that CCGs were no longer a regulatory requirement, all water companies still had CCGs and were keen for them to continue.</p> <p>The CCG Chairs have created a task and finish group to align CCGs and look at Terms of Reference. Chairs are also looking at how to connect with each other and the price review process.</p> <p>Craig felt there was a clear role for constructive challenge and independent scrutiny – both in terms of customers and stakeholders more broadly. More guidance was expected early in 2022, both from Ofwat and CCW.</p> <p>Gill Holmes reported that her colleague Hannah Bradley would give an update to the CEF in the New Year on CCW's role in coordinating central research during PR24.</p> <p>CCW had published a report on improving customer engagement for PR24 in November, which had been circulated to CEF members and was designed as a discussion paper.</p> <p>Craig had the following thoughts:</p> <ul style="list-style-type: none"> - It would be useful to hold a cycle of quarterly meetings to track progress of the company's Business Performance. - It would be easier to hold meetings electronically. - Once or twice a year, meeting would be held face to face or there would be a field trip. 	

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	<ul style="list-style-type: none"> - Subpanels would be set up on a task and finish basis, as needed, including experts in specific areas. He wanted to make sure the panel was focused and not too unwieldy. - Craig would hold one to ones with all CEF members. - A name change for the panel may be needed. <p>There was a key meeting with Ofwat and CCW scheduled for 14 January, which he would report back on.</p> <p>Alex said that AW would try to accommodate what the CEF wanted to do going forward. He also suggested putting Craig in touch with the Chair of AW’s Customer Board.</p> <p>Graham Hindley reminded CEF members that they had access to Jacobs for assurance and to investigate certain issues, as required.</p>	<p>CB</p> <p>CB/AP</p>
<p>i.</p>	<p>CEF-only session</p> <p>Members agreed that holding virtual meetings was sensible.</p> <p>There was discussion around the role of the group in terms of challenging AW performance – looking at what the company is doing and how that compares nationally.</p> <p>This challenge role would continue to be important. The panel could also be more proactive in terms of asking the company for information to be assured. The key role of the CEF was sometimes difficult during the previous AMP due to lateness of some information.</p> <p>It was proposed that there would be a move away from presentations to more proactive, themed meetings that would offer a deep dive into certain topics.</p> <p>Smaller and focused task and finish groups were discussed and it was agreed these were a good idea. Also discussed was the remit of the group – representing stakeholders as well as customers. Affordability of bills was also an important issue to consider.</p> <p>The role of this new panel would be to look at longer term business planning rather than BAU, which fell under the remit of the Customer Board.</p> <p>Concern was expressed about the company’s performance on leakage, which hadn’t seen a huge improvement (AW has gone from 2* to 3*).</p>	

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<p data-bbox="277 233 634 268">Future meeting dates</p> <p data-bbox="277 302 773 338">Full CEF: 12 April: 13:00 – 15:00</p> <p data-bbox="277 338 753 373">Full CEF: 10 May 13:00 – 16:00</p> <p data-bbox="277 373 750 409">Full CEF: 18 July 14:00 – 16:00</p> <p data-bbox="277 409 816 445">Full CEF: 14 October 10:00 – 13.00</p>	